

The background is a light blue gradient with several realistic water droplets of various sizes scattered across it. The droplets have highlights and shadows, giving them a three-dimensional appearance.

THE HARD TRUTH ABOUT ETHICS

PRESENTED BY:

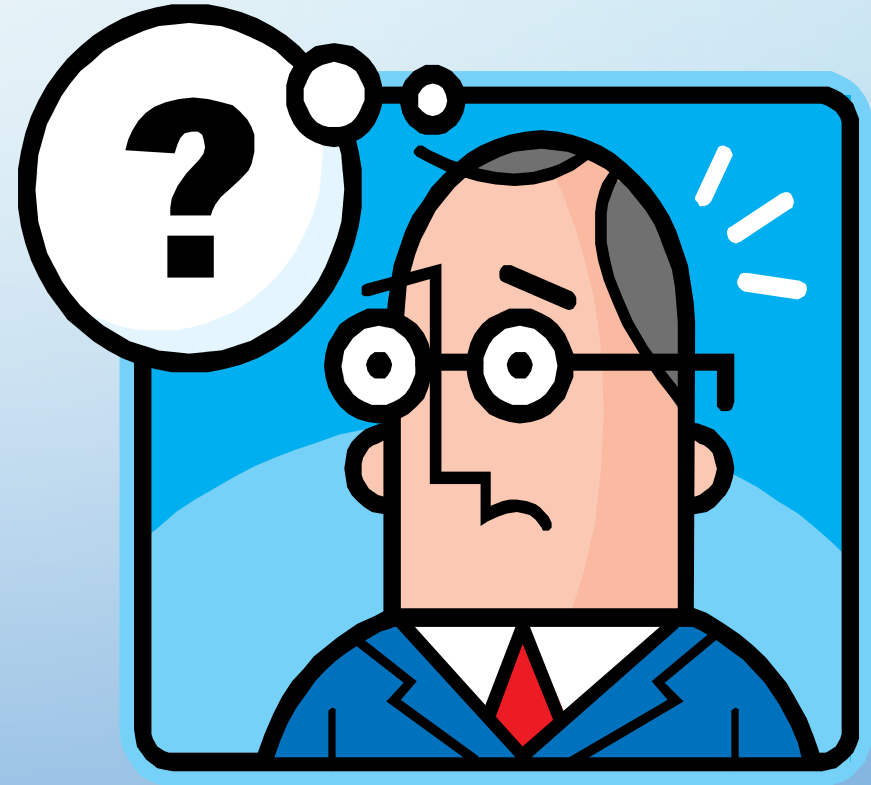
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SOCIETY'S PERCEPTION OF INSURANCE

“The public carries a natural ambivalence about insurance. It is something they buy reluctantly and hope they will never have to use. Yet when they do not use it, they feel they have wasted the money paid in premiums. It might be added that they feel especially cheated when they have paid premiums for years without a loss, and when they finally suffer one, their premium goes up immediately. That may not always be the case, but that is what they believe. Some way must be found to make the public feel (as opposed to understand intellectually) that they get their money's worth out of insurance.”

ETHICS VS. ERROR & OMISSIONS

- Let's start with what Ethics is not. Ethics is not E&O – there could be an E&O opportunity even when acting ethically.



NEW FORMULA

$$PE > PP = L$$

When policy holder expectations are greater than policy performance we wind up in litigation

ETHICS DEFINED

- ACCORDING TO WEBSTER

- That branch of philosophy dealing with values relating to human conduct, with respect to the rightness and wrongness of certain actions and to the goodness and badness of the motives and ends of such actions.

- ACCORDING TO BLACK'S LAW

- Relating to moral action, conduct, motive or character; as, ethical emotion; also, treating of moral feelings, duties or conduct containing precepts of morality, moral. Professionally right or befitting; conforming to professional standards of conduct.

WHY BE ETHICAL?

- Morals – principals and rules of conduct that dictate the appropriate response when decisions must be made between right and wrong
- Laws – impose a sense of societal decency and order – exist to protect people and property and establish a code of acceptable behavior
- Ethics – involve consideration for duty and for what is the right response when a conflict arises – codes of expected behavior that apply in absence of laws – knowing what to do when a situation presents more than one right answer

ETHICS AND VALUES

- Value of telling the truth
 - Conflicts with
- Value of offering comfort to a friend in need

“RIGHT” AND “WRONG”

- Some are easy to label
 - Misrepresentation, fraud, and deceptive advertising
 - These are also illegal
- Other situations may not be so clear

THE GRAY AREA OF ETHICS

- Often the gray areas in business ethics require a difficult choice between two “right” answers rather than a “wrong” and a “right” answer.
 - Management wants to increase revenues and says “do what it takes”
 - Needed coverage but...
 - To get the sale I need to...

BALANCING CONFLICTS OF INTEREST

- What are my legal duties and contractual obligations in this situation?
- What benefits and what costs or harms does each course of action produce for each involved party, and which alternative leads to the best overall result?
- Does one course of action best respect the moral rights of all the parties?
- Is one course of action fairer to all the parties than are the others?

ESTABLISHING ETHICAL STANDARDS AND A CODE OF ETHICS

- Requires A Process
 - Top management commitment
 - Communicate and train on ethical standards
 - Reinforce ethical behaviors
 - Walk the walk –talk the talk



ETHICAL QUALITIES

- Honesty – telling the truth and earning trust from others.
- Integrity – doing what is right without regard for the consequences.
- Responsibility – honoring promises and commitments.



ETHICAL QUALITIES

- Respect for others – making decisions in a manner that treats people fairly and consistently.
- Courage – making the right decisions, even when they are unpopular.



SHOULD THE INDUSTRY BE CONCERNED?

- Insurance scandals have always caused the industry to focus on increasing “transparency” in all insurance transactions. While disclosure or transparency does not prevent unethical behavior, it reduces the temptation and makes it more difficult. Insurance professionals who embrace this concept are likely to benefit from it in the long run.

• WHO DO WE OWE ETHICAL RESPONSIBILITY TO?

- Consumers
- Carriers
- Peers
- State



OUR OBLIGATION TO THE CONSUMER

- Understand that the insured looks to us for advice about insurance.
- Understand that we have a fiduciary duty to the consumer.
- Understand that the consumer expects the agent to obtain coverage from a solvent carrier that will promptly pay claims when due.
- Understand that the consumer expects that all other things being equal that we will suggest the best deal.
- Understand that the consumer wants to be kept informed.
- Understand that we owe a duty of due diligence to the consumer in the selection of any third parties involved in the relationship.

OUR OBLIGATION TO THE CARRIERS

- We owe a fiduciary duty to the insurance company.
- We owe the company compliance with the letter and spirit of company guidelines, policies, and procedures.
- We owe the company loyalty, good faith and integrity of the strictest kind.
- We should be fair and honest and owe the company a duty not to conceal matters that may prejudice the company's decisions.

OUR OBLIGATION TO OUR PEERS

- Fair dealings
- No disparagement
- Accurate advertising



OUR OBLIGATION TO THE STATE

- Proper use of trust account
- Twisting, rebating, churning, prohibited activity
- Deceptive trade practices
- Fraudulent/criminal acts
- Failure to disclose
- Federal/state employment laws

CARRIERS OBLIGATION TO THE AGENT

- Employment under the terms of the contract
- Compensation
- Right to recover advances
- Indemnity
- Reimbursements



DIFFERENT PERSONALITIES – DIFFERENT OPTIONS

- Situationists
 - Should produce positive consequences
- Subjectivism
 - Promotes own self-interest
- Absolutism
 - Strict adherence to general moral principles
- Exceptionist
 - Best outcome for the most people



CASE STUDY

- The owner of a large business frequently comes to his insurance agents' office. He is loud, boisterous, and often hugs several of the women in the office. Sometimes he tells off colored jokes. Although none of the employees have complained to the agent, he can sense several of them are offended by this behavior. Nonetheless, he does not take any action, rationalizing that no one has complained about it. He also does not want to risk losing the income this account produces. Should the agent address it or wait for a complaint?

CASE STUDY

- When reviewing a prospective account's current insurance policies you notice a discrepancy between the property insurance and summary prepared by the current agent. The coverage summary prepared by the agent says they have open perils coverage and an 80% coinsurance clause, when the coverage is only named perils and there is a 90% coinsurance clause. You recall that you've seen this before; you look back in your files and realize this isn't the first time. What action do you take? Do you speak with the customer, the other agent or the DOI?

CASE STUDY

- Individual privacy and identity theft have become critical issues over the past few years. Insurance companies have long reported claims information to several central bureaus. This can help to identify fraudulent claims or individuals with multiple claims. Should this practice continue? What obligations do you have to your clients to protect their privacy? What steps do you need to take to keep information regarding your accounts secure?

CASE STUDY

- One of your carriers has several different companies within its group. They offer different commission levels and those that pay the higher commissions build a portion of the higher cost back into the premium. What factors do you consider in determining what company you use for particular clients?

CASE STUDY

- An insurance company you represent has strict guidelines for the acceptance of new automobile accounts. It will not write someone who has more than three incident regardless of fault. You have an applicant who has two speeding tickets and two accidents. In both accidents, the other party went through a stop sign, hitting your customer. Since these are not at fault, are you justified in leaving them off the application?

CASE STUDY

- Your arch rival has just launched a new ad stating, among other things, “for all your business needs you need the only ethical agent in town. Call XYZ agency”. You are seething mad. What do you do?

THE PROCESS OF MAKING AN ETHICAL DECISION

- Define the issue
 - Is it one of morality, law, company standards, generally accepted behavior, or personal values?
- Identify the alternatives
 - Often there are multiple choices
- Evaluate the alternatives to see which one is the best choice
 - Greatest good for the most people or one that is not at all popular, but is the ethically correct decision to make.

THE PROCESS OF MAKING AN ETHICAL DECISION

- Determine who will make the decision
 - Some decisions need to be made alone or with input from a small group. Others may involve a group decision made by all those who are affected.
- Implement the decision and monitor its affects.
 - After implementation, many important decisions deserve a review process to evaluate the decision and change it if needed.

FINAL THOUGHT

Give people, including yourself, clear permission to make mistakes. Disallowing honest foul-ups has a way of forcing lies. People commit an ethical violation in an effort to cover their tracks. The result proves that ethical violations are self-reproducing. They feed on themselves.



FINAL, FINAL THOUGHT

- If you tell the truth it becomes a part of your past
- If you tell a lie it becomes a part of you future

